

1928.
NEW ZEALAND.

PUBLIC SERVICE COMMISSIONER

(SIXTEENTH REPORT OF THE).

Presented to both Houses of the General Assembly by Command of His Excellency.

To His Excellency General Sir Charles Fergusson, Baronet, General on the Retired List in the Reserve of Officers of His Majesty's Army, Doctor of Laws, Knight Grand Cross of the Most Distinguished Order of Saint Michael and Saint George, Knight Commander of the Most Honourable Order of the Bath, Companion of the Distinguished Service Order, Member of the Royal Victorian Order, Governor-General and Commander-in-Chief in and over His Majesty's Dominion of New Zealand and its Dependencies.

MAY IT PLEASE YOUR EXCELLENCY,—

As Commissioner appointed under the Public Service Act, 1912, I have the honour to submit the following report, as required by section 15 of the Act.

REPORT.

THE ADMINISTRATION OF THE PUBLIC SERVICE.

ONE of the most important matters affecting the Public Service since the last report is the amendment to the Public Service Act, 1912, by the Public Service Amendment Act, 1927. The main provisions of the amending Act were in the direction of securing greater uniformity in the administration of the various Departments of the State Service, including those not under the Public Service Act, particularly in regard to promotions and transfers within the Service and matters relating to the constitution of Appeal Boards and the rights of appeal of officers.

The main alterations to the original Act are as follows:—

Provision is made for bringing back under the control of the Public Service Commissioner, in any case where it is considered desirable to do so, any officer or class of officers who had been exempted from the provisions of the Public Service Act.

Provision in the original Act in regard to promotions in the Public Service that "seniority combined with fitness" should be the determining factor in considering the relative merits of two or more officers has been amended, and the Act now provides that the most efficient and suitable candidate shall be promoted.

Provision is made to enable a specialist to be appointed to the Service, at the same time safeguarding the interests of officers already in the Service.

Provision is made to give effect to an arrangement between the Government, the Public Service Association, and the Public Service Commissioner as a result of an originating summons taken out by the Public Service Association some years ago in respect to matters of procedure on promotion within the Service, and it is also provided that all appointments on promotion should be provisional, pending the determination of appeals, if any, from officers in the Public Service.

Provision is made in regard to the constitution of the Board of Appeal, for the appointment of deputy members in cases where it may be undesirable for either the Government or the elected member to sit on the Board.

Provision of the original Act in regard to complaints and charges against officers has been simplified, and an additional right of appeal has been granted officers in regard to the penalty imposed by the Commissioner in respect of an offence by an officer.

The other amendments are principally in the nature of machinery clauses and make no alteration in respect to the system of control of the Public Service by the Public Service Commissioner.

It is confidently expected that the amending Act will facilitate the administration of the Public Service, particularly in regard to the matter of promotions, appeals by officers, and complaints and charges against officers.

ADMINISTRATIVE CHANGES.

Since the last report the following changes have taken place in the Administrative Division :—

Internal Affairs Department.—On the 30th June, 1928, Mr. J. Hislop, C.V.O., O.B.E., Under-Secretary and Chief Electoral Officer, retired on superannuation. On his retirement it was decided to separate the positions, and Mr. G. P. Newton, formerly Assistant Under-Secretary, was promoted to the position of Under-Secretary, and Mr. G. G. Hodgkins, Deputy Chief Electoral Officer, assumed the duties of Chief Electoral Officer.

Land and Income Tax Department.—On the 31st May, 1928, Mr. A. E. Fowler, Commissioner of Taxes, retired on superannuation. He was succeeded by Mr. E. J. R. Cumming, F.I.A.N.Z., who formerly held the position of Deputy Commissioner.

External Affairs Department.—On the retirement of Mr. J. D. Gray, Secretary of External Affairs and Cook Islands Departments, it was decided to separate the positions, and the following appointments were made : Mr. C. A. Berendsen, LL.M. (Hon.), in addition to his duties as Imperial Affairs Officer of the Prime Minister's Department, assumed the duties of Secretary of the Department of External Affairs, and Mr. S. J. Smith, Chief Clerk, External Affairs Department, took over the duties of Secretary of the Cook Islands Department.

State Forest Service.—The position of Director of Forestry became vacant through the retirement of Mr. L. MacIntosh Ellis, B.Sc. (Forestry). The Secretary, Mr. E. P. Turner, F.R.G.S., was promoted to the position.

By their untimely death the Service also suffered the loss of the under-mentioned valued officers :—

Dr. J. A. Thomson, M.A., D.Sc., A.O.S.M., F.G.S., F.N.Z.Inst., Director of the Dominion Museum, Internal Affairs Department. He was succeeded as Director by Mr. W. R. B. Oliver, M.Sc., F.N.Z.Inst.

Mr. P. G. Morgan, M.A., A.O.S.M., F.G.S., F.N.Z.Inst., Director, Geological Survey Branch, Scientific and Industrial Research Department, Wellington. He was succeeded by Dr. J. Henderson, M.A., D.Sc., B.E., A.O.S.M.

It is pleasing to note that on a vacancy arising for a Stipendiary Magistrate Mr. J. Miller, Registrar, Supreme Court, and Sheriff, Christchurch, was selected for appointment. His resignation from the Public Service took effect as from the 8th July, 1928.

PRINCIPLES REGULATING THE CONDUCT OF CIVIL SERVANTS.

The attention of all members of the Imperial Civil Service was, at the request of the Lords Commissioners of His Majesty's Treasury, drawn to the following extract from the report of the Board of Inquiry appointed by the Prime Minister of England to investigate certain statements affecting Civil servants which had been made in the course of a Court action.

In previous reports the Commissioners have directed attention to the fact that the Public Service of the Dominion has fully maintained the confidence of the public, and has continued to render faithful and adequate service. The principles enunciated in this extract are what may be termed an ideal in this respect.

Extract from Report of Board of Inquiry.

His Majesty's Civil Service, unlike other great professions, is not and cannot in the nature of things be an autonomous profession. In common with the Royal Navy, the Army, and the Royal Air Force, it must always be subject to the rules and regulations laid down for its guidance by His Majesty's Government. This written code is, in the case of the Civil Service, to be found not only in the statutes, but also in Orders in Council, Treasury circulars, and other directions which may from time to time be promulgated; but over and above these the Civil Service, like every other profession, has its unwritten code of ethics and conduct, for which the most effective sanction lies in the public opinion of the Service itself, and it is upon the maintenance of a sound and healthy public opinion within the Service that its value and efficiency chiefly depend.

The first duty of a Civil servant is to give his undivided allegiance to the State at all times and on all occasions when the State has a claim upon his services. With his private activities the State is in general not concerned, so long as his conduct therein is not such as to bring discredit upon the Service of which he is a member. But to say that he is not to subordinate his duty to his private interests, nor to make use of his official position to further those interests, is to say no more than that he must behave with common honesty. The Service exacts from itself a higher standard, because it recognizes that the State is entitled to demand that its servants shall not only be honest in fact, but beyond the reach of suspicion of dishonesty. It was laid down by one of His Majesty's Judges in a case some few years ago that it was not merely of some importance, but of fundamental importance, that in a Court of law justice should not only be done, but should manifestly and undoubtedly be seen to be done; which we take to mean that public confidence in the administration of justice would be shaken if the least suspicion, however ill-founded, were allowed to arise that the course of legal proceedings could in any way be influenced by improper motives. We apply without hesitation an analogous rule to other branches of the Public Service. A Civil servant is not to subordinate his duty to his private interests; but neither is he to put himself in a position where his duty and his interests conflict. He is not to make use of his official position to further those interests; but neither is he so to order his private affairs as to allow the suspicion to arise that a trust has been abused or a confidence betrayed. These obligations are, we do not doubt, universally recognized throughout the whole of the Service; if it were otherwise, its public credit would be diminished and its usefulness to the State impaired.

It follows that there are spheres of activity legitimately open to the ordinary citizens in which the Civil servant can play no part, or only a limited part. He is not to indulge in political or party controversy, lest by so doing he should appear no longer the disinterested adviser of Ministers or able impartially to execute their policy. He is bound to maintain a proper reticence in discussing public affairs, and more particularly those with which his own Department is concerned. And, lastly, his position clearly imposes upon him restrictions in matters of commerce and business from which the ordinary citizen is free.

Between the regular investment or management of a private fortune on the one hand, and speculative transactions in stocks, exchange, or commodities on the other, there are obviously numerous gradations, and it may often be difficult to draw the precise line of demarcation between what is lawful and what is prohibited; it may even be inadvisable to make the attempt, because many things, though lawful, may yet be inexpedient. But some transactions fall indubitably on one side of the line rather than upon the other. It might well be desirable for a Civil servant in all circumstances to avoid transactions wholly speculative in character; but where he is employed in any Department to which, whether rightly or wrongly, the public attribute the power of obtaining special information, such as the future course of political or financial events likely to affect the rise and fall of markets, then we assert unhesitatingly that participation in such transactions is not only undesirable or inexpedient, but wrong. The knowledge that Civil servants so employed are engaged in them could not fail to shock public confidence at home, and, especially if matters of foreign exchange are involved, to produce a deplorable effect upon opinion abroad.

We content ourselves with laying down these general principles, which we do not seek to elaborate into any detailed code, if only for the reason that their application must necessarily vary according to the position, the Department, and the work of the Civil servant concerned. Practical rules for the guidance of social conduct depend also as much upon the instinct and perception of the individual, as upon cast-iron formulas, and the surest guide will, we hope, always be found in the nice and jealous honour of Civil servants themselves. The public expects from them a standard of integrity and conduct not only inflexible but fastidious, and has not been disappointed in the past. We are confident that we are expressing the view of the Service when we say that the public have a right to expect that standard, and that it is the duty of the Service to see that the expectation is fulfilled.

The remarks made by Sir Theodore Morison, K.C.S.I., K.C.I.E., C.B.E., Vice-Chancellor University of Durham, speaking on the subject of Civil Service traditions, are also of interest in this connection :—

To be strong and efficient a Service, whether military or civil, must have great traditions, and by traditions I mean simply this : that conceptions of the duty of a Civil servant and of the way of carrying out that duty must be handed down from one office-bearer to another. These conceptions will necessarily increase in volume and complexity with the sæcular experience of affairs, and it is important that the new traditions should be added to the old and the entire corpus be transmitted intact from one generation to another. . . . The Civil Service in Whitehall grew up in the course of the nineteenth century, and though still less than a century old it is firmly established in the esteem and confidence of the country. . . . The first observation that I am tempted to make is that the Civil Service in Whitehall has attained its great position by severely restricting its ambitions ; it has defined the place of the Civil Service in the Government of the country, and it has scrupulously refrained from overstepping those limits ; I say that the Civil Service has defined the limits of its legitimate authority because it has accepted those limits whole-heartedly and made them part of the Civil Service tradition. Perhaps it would historically be more accurate to say that the jealousy of Parliament imposed from the first very strict limits upon the ingercence of the Civil Service ; but the historical point is now of no importance, because both the Civil servants and their parliamentary chiefs accept the obligations which follow from that limitation.

The theory and practice of parliamentary government is that decisions are taken by Ministers and that the Civil servants supply the Minister with the information necessary for coming to a right decision.

From this general proposition there follow certain consequences which have become maxims in Whitehall :—

(1) The Civil servant must place before his chief the arguments on both sides of the case, fully and fairly. Whatever his own sympathies may be, he must put before his chief all the arguments which may be urged against the view which is taken in the office.

(2) When the decision is once taken he must loyally carry out the policy chosen, even though he may have preferred a different one.

(3) The Civil Service is responsible for continuity of policy, or such continuity as is possible under our system of party government. . . .

(4) The Civil servant must observe absolute silence and discretion as to what occurs in the office. The decision when once taken is that of the Minister or of Cabinet, and it is contrary to tradition for a Civil servant to take credit for any measure accepted by Parliament, though he may in fact have been the author of it. Self-effacement, therefore, at least in the eye of the public, is one of the conditions required of the Civil servant, and there follows from this effacement a correlative obligation upon the Minister. As the decision is his, the Minister must take full responsibility for it. If the decision happens to be wrong, he must not shield himself by blaming his officials, and it is expected that he should defend his officials if they are attacked in public ; if he cannot defend them he must resign. Sir Austen Chamberlain has shown a noble sensitiveness upon this point of honour. During the war he was Secretary of State for India, and, therefore, had a titular responsibility for the campaign in Mesopotamia. Sir Austen could not be, and was not by any one expected to be, cognizant of all the details of the administration ; but when a public inquiry had revealed the insufficiency of the military hospitals in Mesopotamia he resigned because he was no longer able to defend his subordinates.

. . . Upon the permanent officials there rests, therefore, the responsibility of—

- (a) Knowing all the relevant facts ;
- (b) Stating all the relevant facts clearly and fearlessly ;
- (c) Marshalling the arguments for both sides without prejudice and without prepossession.

The duties which I have attempted to indicate are certainly too high for ill-educated men, but they are not beyond the reach of men who have received a good education. You can make reasonably sure of securing the qualities I have postulated if you recruit educated men. . . . It was by insisting on a high standard of education that these qualities were obtained in Whitehall. The greatness of our national Civil Service dates from the day on which a competitive examination was made the portal for admission. There are many theoretical arguments against recruitment by competitive examination ; a written examination, it is said, is no test of character, and character in an administrator is at least as important as intellect. These hypothetical objections are of little weight when balanced against the testimony of experience. Considered objectively, as a mere matter of history, competitive examinations have given results immeasurably superior to any other form of recruitment for the public service.

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Experience shows that to bring together for any service a good field of candidates two conditions must be satisfied :—

- (1) The competition must take place every year at a known date.
- (2) The competition must coincide with the termination of a stage in the scholastic career. Roughly speaking, this means in England that the ages for admission to the different services or employments should be so fixed as to attract candidates just after they have passed either (a) the School Leaving Certificate Examination, (b) the Higher School Certificate Examination, or (c) have taken their degree at a university.

ENTRANCE EXAMINATIONS.

The usual annual Public Service Entrance Examination for admission to cadetships in the Public Service was held in November, 1927, when 2,362 candidates, including boys and girls, entered for the examination, as compared with 2,096 in the previous November. Of the number presented, 1,117 candidates passed the examination, 1,171 failed, and 74 absented themselves from the examination. The examination was conducted at sixty-seven centres, including Suva (Fiji).

In addition, in November last Senior and Junior Entrance Examinations were held in twenty-six centres for shorthand-typists, for which there were 504 entries, an increase of 112 over the previous year: 377 of the candidates were successful in passing the examinations, and of the remainder 119 failed and 8 did not present themselves.

The Senior Examination consists of a speed test in shorthand at the rate of 110 words a minute, and in typewriting at the rate of forty words a minute; and the Junior Examination is at the rate of eighty words a minute in shorthand and thirty words a minute in typewriting. Candidates are also required to pass a prescribed test in English.

RECOGNITION OF SPECIAL EXAMINATIONS.

It is the practice in the Public Service to grant double increments on the passing of such examinations as the Law Professional, the Accountants' Professional, or a University degree, provided the officer is in a class not higher than Class VI. No such provision exists in the Railway or in the Post and Telegraph Departments, although clerical cadets of the Railway Department already in the Service are granted seniority on passing certain examinations, as follows: Matriculation, twelve months; Public Service Entrance, six months; shorthand-typing, nine months.

While the practice of granting seniority or double increments affords encouragement to an officer to pass an examination, experience has shown that the practice is not altogether a satisfactory one.

It is at present under consideration that the granting of seniority or double increments for the passing of examinations should be done away with, and instead a provision be made to grant a payment in addition to salary to officers who are considered to be of outstanding merit and ability, the passing of the examinations referred to to be taken into consideration in deciding the question of merit and ability.

APPOINTMENTS TO CADETSHIPS.

The regulations under the Public Service Act provide for a Public Service Entrance Examination for admission to cadetships in the Public Service. The syllabus for this examination is based on a two years' course at a secondary school.

By arrangement with the Education Department, the examination is conducted by that Department in conjunction with other public examinations. For some time past it has been the practice to hold two examinations in each year, the principal examination being held in November and a supplementary examination in June.

As mentioned in last year's report, more candidates are now available for appointment than are likely to be required, and it has therefore been decided for the present to discontinue the usual mid-year examination.

The regulations further provide that lads who have gained a higher leaving-certificate or who have matriculated take precedence over those who have passed only the Entrance Examination. A large number of matriculated lads have been offering for cadetships during the year, with the result that a smaller number of appointments are being made from the Entrance Examination pass-list. As indicative of the keen competition for cadetships, it is noteworthy that, of the lads offered appointment fifty-nine had gained a higher leaving-certificate and 219 had matriculated. To enable matriculated lads to be placed on a footing equal to Public Service candidates, the entry age is extended to nineteen.

As referred to in last year's report, it has been arranged with the Permanent Heads of the Post and Telegraph and New Zealand Government Railways Departments that, as far as practicable, appointments to cadetships in those Departments

(other than by way of regular promotion of their own officers who have qualified for such positions) should be made in order of merit from the Public Service Commissioner's list of candidates available for appointment. This arrangement is apparently giving satisfaction, and should ensure that lads are appointed to the various Departments of State in their regular turn, or, in other words, according to their order of merit on the examination pass-list.

MANAGERIAL CONTROL AND PUBLIC OPINION.

From time to time there is criticism in regard to the administration of Departments of State, such criticism not always being of an encouraging or helpful nature. This matter has been referred to in previous reports, but, as it is of such importance that no complaint should exist as to the policy of the Service, I deem it necessary to again refer to the matter.

All Departments are now required to furnish balance-sheets in a commercial form, and, with the exception of one Department, such balance-sheets have been duly furnished. This should undoubtedly result in increased efficiency and economy, particularly in regard to those Departments where undertakings of a commercial or a semi-commercial nature are carried out.

The following extract from a paper delivered by W. W. Marsh, Director of Establishments, Ministry of Labour, United Kingdom, will be of interest :—

As compared with other undertakings and services, public and private, national Departments of State hold a peculiar position in relation to those in whose interests they are created.

The directors of an ordinary commercial concern are responsible to the shareholders, and to them alone ; a municipal authority is responsible to the ratepayers ; but in the case of a Government Department the whole of the taxpayers of the country are in the position of shareholders, and they contain within their ranks strongly organized bodies of every shade of political and economic opinion.

In matters of staff-control and office-management Departments of State are expected to be model employers, while at the same time safeguarding to the full the position of the taxpayer, who has to meet the bill. If a Government Department imposes harsh or inequitable conditions of employment on its servants, or if the office machine does not function smoothly and efficiently, the responsible Minister is subject to a fire of parliamentary question and criticism. The community at large is ever on the watch for instances of waste, extravagance, or inefficiency in governmental administration, and the fierce searchlight of the public press is ever ready to bring into relief any weakness in the structure. So long as criticism is informed and constructive, this is all to the good ; but it will be realized that responsible heads of Departments have no easy task in piloting a vast and complicated governmental machine through a sometimes turbulent sea of conflicting forces in which dangerous and uncharted rocks abound. The complex nature of modern civilization involves complexity in Government administration ; and the business of government increasingly requires close study, a high degree of technique, and the constant readaptation of administrative method. It is the duty of the Civil servant to see that the necessary knowledge and initiative are forthcoming, in order that such readaptation may be carried out as smoothly and efficiently as possible. One of the elements in this task has been touched upon in this paper, and it is hoped that by consideration of the matters raised, and by a comparison with the methods adopted by public authorities and commercial houses, valuable points of guidance will emerge which will help the Civil servant to perform his tasks to the satisfaction and well-being of the community he serves.

This matter was referred to by me at length in an address recently given before members of the Wellington Branch of the New Zealand Society of Accountants, and, as it is important that there should be a proper appreciation of the attitude of the Commissioner in regard to "business methods" in the Public Service, the address is reprinted herein :—

I have given as my subject "The Accountancy Profession in the Public Service." It would be possible in dealing with this subject to make one's range exceedingly wide. It could be divided into numerous important sections, each requiring a special occasion to be dealt with effectively. I propose confining my remarks to a general outline of the financial control exercised in the Public Service, with special reference to the improvements which have been effected during the period from 1912 to the present time.

At the outset, I assume it will, on reflection, be recognized by all present that the functions performed by the State in this Dominion are, in the words of our New Zealand poet, "not understood." Few people appreciate and understand the functions of the great Departments of State. The varied activities of the Post and Telegraph Department are no doubt known to a certain degree to all ; the activities of the Police Department are known, I hope, to a less degree ; while it is probable that the commonest view of a Customs officer is that he is an official whose principal duties are to detect opium-smuggling and to create as many difficulties as possible to visitors entering the Dominion or holiday-makers returning after a well-earned rest abroad. How many understand the functions of such important Departments as the Treasury, the Audit Office, External Affairs, and Industries and Commerce, or even Prisons ?

I should like, at the outset, that there should be a clear conception of the contrast which exists between the successful management of a "business" and the satisfactory administration of a State Department. I propose reading in this connection an extract from the report of an English Royal Commission, which is both pertinent and interesting :—

"The idea, we believe, has obtained some currency that the work of the Civil Service is not always conducted in a 'businesslike' manner, and that the application of 'business methods' to the conduct of the public administration is both practicable and necessary. Indeed, it is often assumed that when 'business methods' are not applied the reason is to be found in official ignorance, incapacity, apathy, or prejudice.

"In dealing with the organization of the Civil Service it is desirable to inquire into, and measure the value of, this criticism, and to mention the points on which the conduct of public administration differs and must continue to differ from the conduct of a private business.

"A private business is usually conducted for profit. Profit is its object, and failure of success in earning a profit is not only a sure test of the failure or success of its methods, but an indispensable condition of its continued existence.

"There are half a dozen Government Departments to which the commercial criteria of the successful conduct of business transactions may to some extent be applied; but as a general rule the objects for which public Departments are maintained are wholly different from those of private enterprise. Some advantage to the community as a whole other than pecuniary profit is the object to which departmental administration is directed. That advantage cannot be expressed in a balance-sheet; and, as the Departments are established in obedience to law or public opinion and to meet the necessities of social conditions, they must be administered whether the result be a money loss or gain.

"Much of what is commonly described as 'red tape' is due to the exigencies of parliamentary government; much of the delay and expense of public departments should in truth be regarded as part of the price paid for the advantages of public discussion and criticism of public affairs.

"While, therefore, it is commonly contended that public departments would work more quickly, easily, and economically if they were 'run on business lines,' it is only right to remember that the conditions under which public officials have to work make the complete adoption of such methods impossible, and that if a mercantile firm or company were compelled to work subject to similar conditions it would inevitably be forced to adopt a slower and more guarded procedure.

"To sum up, the administration of Government differs, and must necessarily differ, from the activities of the business world, both in the objects to which it is directed, in the criteria of its success, in the necessary conditions under which it is conducted, and in the choice of the instruments which it employs. Any criticism which ignores these vital and necessary points of difference is unfair.

"We do not contend that in some of its activities the Civil Service might not and ought not to become 'more businesslike,' but the directions in which such an improvement can and ought to be pursued are not always realized by hostile critics."

It has been truly stated that the general purpose of accounts and accountancy in all undertakings—private and public—is the same. In private enterprises the following purposes are considered paramount :—

- (1) To provide information concerning the past operations of the undertaking and its present condition.
- (2) To provide the basis for guidance as to the future operations of the undertaking.

These same purposes are equally applicable to public undertakings, and in addition the following have equal importance :—

- (3) To provide for the *control* of acts of public officers and the limitation of the raising and expenditure of moneys.
- (4) To furnish information to the public concerning the financial operations and stability of government.

Problems of limitation are everywhere present in the administration of public finance as distinct from private businesses. One of the most important means of enforcing these limitations is control through accounts, which must, therefore, be properly divided to serve this purpose effectively.

Publicity has been well stated to be a foundation-stone of democracy, and every citizen is entitled to know the full facts and details concerning every governmental undertaking and transaction. This information can only be made available through the medium of properly prepared and distributed public reports and accounts.

There is an impression that there is a wide dissimilarity between the conduct of Government affairs and private business. This idea is usually founded upon premises only partially true. It is assumed that private business is invariably efficiently managed, free from interference and changes of policy, but that Government Departments are overstaffed with incompetent officers, are subject to continual political interference, and that, if only a business man had charge of affairs, many savings could be effected.

While it is obvious that in any large organization there is always scope for economical readjustment, what critics overlook is that, in the nature of things, there is a wide distinction in principle between State enterprise and private business, in, as I have already pointed out, that the main purpose of the one is public well-being, and the other individual gain.

It is a fallacy to believe that because a man has been successful in amassing a great personal fortune he is, therefore, best qualified to lay down principles of public administration or finance. The

chief function of profit-making in the world of business is astute competition, whereas the chief function of public administration is wise co-ordination. Although there is a wide distinction in principle, in method the difference is not so evident. In this respect critics fail to take into consideration the magnitude of the organization. A comparison of the methods adopted would disclose that there is a greater dissimilarity between a large business and a small one than between the organization of a large Government Department and a private concern of comparable size. Indeed, it can be claimed that in many of our Departments modern methods are in vogue which compare favourably with outside business firms, and that of the faults which are ascribed at times to the administration of Government Departments, all of them, and in some cases worse, could be found in the administration of many "successful" business concerns.

The fact that public activities are more open to public review tends to magnify any deficiency in public administration, thereby making it appear to contrast unfavourably with the conduct of private enterprise.

The control and management of business in public undertakings as contrasted with that of a private enterprise is, as I have stated, largely a process of limitation. The executive of a private undertaking has few, if any, legal or internal limitations placed upon his activities. Public officials, however, on the other hand, are limited and governed in almost every act by special statutory provisions or administrative regulations. In the raising and expending of funds these limitations are very definite. The importance of reflecting in the accounts, the limitations imposed in these respects by Parliament and the way in which they are followed out has given rise to the necessity of using what is termed "budget accounts" in the form of (1) estimates of revenue, (2) estimates of expenditure.

The Budget has been defined as a fiscal document exhibiting :—

- (1) The estimated and actual revenues and expenditure of previous periods ;
- (2) The proposed appropriations for expenditure for the succeeding period ; and
- (3) The proposed sources of revenue to meet these appropriations, with all necessary supporting data and information.

In its final stage the Budget takes the form of the annual Appropriation Act, expressing as it does in Parliament's language approval of the greater portion of the proposed public expenditure for the ensuing year. Further provision is made by way of special statutes, which provide in many cases for payment without special appropriation.

The power of appropriation itself would be of little value if no means were availed of by Parliament to provide compliance therewith. These are obtained by the statutory requirements of publication and presentation of the Public Accounts to Parliament, after review and report (direct to Parliament) by a special parliamentary officer—the Controller and Auditor-General. It must be clearly understood, however, that the appropriation only "permits" expenditure—it does not "direct it." Within the appropriation control rests with the Government, which, in this matter, acts principally through the Treasury.

How far do the Public Accounts of this Dominion, as published, fulfil the requirements laid down ? I feel I can do no better, in the first place, than refer to a report made by a Royal Commission in 1912, consisting of Messrs. W. D. Hunt, James Macintosh, and Peter Barr all of whom are well known to you.

Dealing with "The Public Accounts" they report :—

"Probably the most important and outstanding feature of the accounts, in common, as far as we are aware, with those of most other countries, is that, numerous as they are, they can be divided into two classes only—(1) the 'balance-sheets' or summaries of transactions, with subsidiary statements in detail of receipts and expenditure, and (2) the tables of balances at the close of the year dealing (a) with the public debt, and (b) with the cash and bank accounts. This means that the whole of them may be described as simply cash accounts.

"The term 'balance-sheet' as used throughout the accounts is entirely misleading, and at variance with the commonly accepted meaning of the words in business or by mercantile accountants. These statements merely show the balances of various cash and bank accounts at the beginning of the year with the total receipts and payments and the resulting balances at the close. They are summaries of cash transactions, and throw no more light upon the position of the Dominion than similar statements of cash transactions would throw upon the position of a bank or other financial or trading concern.

"We are strongly of opinion, however, that the time has now arrived when not only the accounts of the trading Departments, which are kept 'outside the Public Account' (see Part X of the Public Revenues Act), but the revenue and expenditure accounts of Consolidated and Public Works Funds, constituting the Public Account, should be put upon such a system as regards book-keeping as would result in the 'General Balance-sheet' of the Dominion (B.-1) presenting a real balance-sheet, and disclosing the actual position of the country's finances.

"In connection with the accountant and book-keeping staff throughout the Service, we are strongly of opinion that officers who display sufficient ambition and interest in their work to study for and pass the examinations conducted by the University on behalf of the society established under the New Zealand Society of Accountants Act, 1908, should not only receive encouragement from departmental heads, but be definitely rewarded. This might be done by granting one year's advance in position, which would also recoup some of the expense incurred in tuition and books, and the degrees which are obtained should be entered opposite the names of officers in the Official List."

The immediate result of this report was the passing of the Public Service Act, 1912. One of the first acts of the Commissioner was to appoint a Committee of Accountants to personally investigate and submit recommendations for the improvement of accountancy methods in all Departments. The report was made by Messrs. G. W. Bartrop, Accountant, Government Insurance Department; H. A. Huggins, Chief Accountant, Post and Telegraph Department; and J. J. Esson, Assistant Accountant, Treasury Department.

As a result of this report, and the passing of the Public Revenues Amendment Act, 1913, opportunity was taken to revise and recast the then existing regulations to meet the altered conditions and to give effect to practically the whole of the matters referred to by the Commission.

Briefly, the general effect of the amended regulations has been to shorten the methods of rendering departmental accounts to the Treasury, without in any way impairing the efficiency of the result formerly obtained, while closer co-operation has been established. Forms have been standardized while an efficient, uniform, and progressive system of accounting for departmental receipts and expenditure has been introduced, doing away with a considerable amount of duplication and overlapping. The responsibility for keeping itemized accounts has been definitely placed with Departments, the Treasury dealing with totals only.

To give effect to the recommendations of the Commission to what may be described as the minor matters affecting the efficient administration and simplification of the accounting and book-keeping practices was a matter quickly decided upon. To go further, however, and prepare the various Departmental accounts on "commercial" lines was a much larger question, involving in addition an important principle of Government policy. Further, the outbreak of war in 1914, and the consequent depletion of the trained staffs of the various Departments, together with the necessity of providing for the various new activities created in the Defence Department rendered the institution of "balance-sheets" a practical impossibility. However, at the close of hostilities the matter again came into prominence as the result of continued action by my predecessors and also the National Efficiency Board. An instruction from Treasury, dated 20th December, 1920, reads as follows:—

"I am directed by the Right Hon. the Minister of Finance to state that in accordance with a Cabinet decision it will be necessary for your Department to prepare at the end of the current financial year, and annually thereafter, the above statements for presentation to Parliament early in the session immediately following each financial year.

"The following principles should be observed in the preparation of the accounts:—

"To prepare an annual Profit and Loss or Income and Expenditure Account and balance-sheet, it will be necessary to have assets valued, liabilities ascertained, and both set out in a 'Statement of Affairs' as the basis of entry on the first day of the financial year.

"The difference between the total of the assets and the total of liabilities may be regarded as the 'capital' of the Department for the purpose of preparing its first balance-sheet.

"To produce an annual balance-sheet, the books must be kept on the 'double entry' system, and capital and revenue items classified.

"Real accounts will require to be opened for each asset, and nominal accounts for the purpose of recording under appropriate headings income and expenditure transactions.

"A Trading Account, Profit and Loss Account, or Income and Expenditure Account should include all income accrued during the year, whether actually received or not, and all expenditure incurred during the year, whether paid or not.

"A separate set of accounts will be required for each undertaking or trading venture."

This instruction involved a complete change in the system of compiling the annual Departmental Statements of Accounts. The instruction has been given effect to, and the printed accounts of all Departments (except one) are now available in a special parliamentary paper, B.-1, Part IV. The exception to which I refer is the Navy Office, but this Department is now, in the parlance of the silent Service, "in line," and its accounts for the past year (in accordance with Treasury requirements) are under preparation.

The compilation of this work has been one of great magnitude—many difficulties have been experienced and considerable labour involved.

The finalization of these departmental Statements will, at an early date, render the preparation of a "General Balance-sheet of the Dominion" an accomplished fact, and New Zealand will, I believe, then be in a position to add lustre to its laurels as the first Government to issue a "balance-sheet" in the sense of the term accepted by accountants, and showing the actual financial position of the Government of the Dominion.

In carrying out the work referred to full use was made of those officers who had qualified by passing the examination of the New Zealand Society of Accountants. In the Public Service special salary inducements are provided to those qualifying. It must be of interest to note that whereas there were in the whole of the Service, in 1914, only thirty-one Accountants qualified by examination, and of all the Departments of State in two cases only was the position of Accountant held by an officer qualified by examination. At present there are no less than 242 officers so qualified, and it is a *sine qua non* that to obtain promotion in this branch of the Service the Professional Examination qualification is essential. The following list shows the extent to which the principal accounting positions in the Service are held by qualified members of the society:—

Agriculture— *Accountants in Public Service.*

The positions of Accountant and Accounts Clerk are held by qualified accountants. 1914 (—); 1928 (3).

Audit—

Four qualified accountants in 1914, as compared with nineteen in 1928. (Note—Officers in this Department will not be advanced beyond £470 until they have passed the Professional Accountants Examination.)

Customs—

1914 (2) : 1928 (12).

Education—

Positions of Accountant and Assistant Accountant held by qualified accountants. 1914 (—) ; 1928 (5).

Health—

Positions of Accountant and Inspecting Accountant held by qualified accountants. 1914 (—) ; 1928 (5).

Industries and Commerce—

All Advisory and Investigating Accountants are qualified accountants.

Internal Affairs—

1914 (—) ; 1928 (7).

Justice—

1914 (—) ; 1928 (5).

Land and Income Tax—

Commissioner and Deputy Commissioner of Taxes ; all Inspectors and Assistant Inspectors are qualified accountants. 1914 (2) ; 1928 (13).

Lands and Survey—

Accountant, Head Office, and Inspector are qualified. Also several of the Accountants at district offices. 1914 (1) ; 1928 (11).

Marine ; Mental Hospitals ; Mines ; Native ; Native Trust ; Printing and Stationery ; Prisons—
Accountant is qualified.

Public Service Commissioner's Office—

Inspector is qualified accountant.

Public Trust—

All District, Divisional, and Assistant Accountants are qualified. 1914 (4) ; 1928 (77).

Treasury—

Positions of Accountant, Assistant Accountant, Chief Inspector, and Inspector are held by qualified men. 1914 (—) ; 1928 (9).

Railway—

Positions of Chief Accountant, Assistant Chief Accountant, and several Assistant Audit Inspectors are held by qualified officers. 1914 (3) ; 1928 (14).

Post and Telegraph—

Positions of Controller of Savings-banks and Accounts, Assistant Controller of Savings-banks and Accounts, several Supervisors and District Office Accountants are qualified men. 1914 (6) ; 1928 (20).

Now that the financial statements of Departments are framed in accordance with standard accountancy practices and principles, no greater public service could, I suggest, be performed than for a careful review of these accounts to be made by your members. I would suggest that at alternative meetings of this nature the accounts of a particular Department should form the basis of an address by the Accountant of that Department.

There has, and I suppose always will be, a certain amount of criticism directed against the management and the administration of our Departments of State. It is in many respects productive of good results that there is that criticism. To be of any real value, however, it should be founded on accurate knowledge and information ; it should be constructive rather than destructive.

In my opening remarks reference was made to the fact that the real activities and functions of Departments were "not understood." How many people are really interested in the functions and activities of our State Departments ? I venture to suggest that the majority are interested only when they feel that the cost of maintaining it is too great, and it appears to have become a burden on themselves as taxpayers.

There is no gainsaying the fact that the events from 1914 onwards have increased the burden of the taxpayer, by way of increased taxation to meet our interest charges, military pensions, &c. The cost of living has increased and been reflected in the comparative cost of the Civil Service.

The public generally, especially in times of financial stress, are resentful of increased expenditure, almost entirely forgetting the nature and scope of the activities of the business of Government, as reflected in the Civil Service.

A careful review of these activities by means of an analysis and healthy criticism of the departmental statements of accounts would, I feel sure, be in the direction of dissipating much of the existing lack of understanding and sympathy, and, in addition, provide a better knowledge of the scope and activities of the Departments. If this were done, I feel sure that unfavourable comment would be negligible.

AN ORGANIZED CIVIL SERVICE.

From time to time the Commissioners have laid stress on the necessity of having a well-organized, contented Service consisting of members possessing the qualifications necessary for the adequate discharge of their duties. Since the inception of the system of Commissioner control it has been the practice to appoint the best qualified applicants available for appointment, and to give promotion to those best entitled thereto on account of special ability and qualifications. Officers have been encouraged by various means to apply themselves to such courses of study

as are likely to enhance their value as public servants, and, as referred to elsewhere in this report, the results in this direction have been very gratifying.

Remarks made by the Right Hon. Viscount Haldane of Cloan, O.M., speaking on the above subject, are of interest.

What does an ideal Civil Service demand? Its function is to provide the permanent element to which the Ministers responsible for the Departments can turn for advice and to carry into effect the policy so settled. It provides the factors necessary for continuity in administration by Cabinets which change periodically. It is obvious that it is of the greatest importance to the well-being of the State that the organization of the Civil Service should be of the highest excellence attainable. Economy, by the avoidance of overlapping and waste, depends on it. Efficiency will be proportioned to its knowledge, its moral qualities, and its general excellence. These qualities must therefore be sought after in the first instance, and the Civil servants must keep them set before their eyes.

The real purpose must be the defined one of rendering the highest amount practicable of service to the State, and service of the highest quality. But this is not so easy a principle to carry out as it looks. It implies distinction between individuals based on capacity and selection for fitness. Now there come in at this point the two difficult questions of entrance to the Service and of promotion in it. The vast majority of men and women feel that they have the right to be treated on a footing of complete equality with their neighbours. This is so far an absolutely true view. But then the question comes in what this right of equal opportunity means. It does not mean the equal title of the unfit with the fit to be given employment which is only suited for the fit. The Service exists for the public, and not the public for the Service. If a man or a woman is not as well qualified as others for a particular post no title to that post ought to be based on any abstract notion of equality. But then the task of discriminating becomes a very delicate one. Take entrance to the Civil Service; for the most part, this depends on the result of an examination. I have had to give much consideration to the value of the pure examination test in connection with the general subject of education. I have come to the conclusion that the pure examination test is far from being a perfect one. Success may result from qualities which neither import the more thorough kind of knowledge nor guarantee fitness for the kind of employment sought after. But everything is relative in this finite world, and the examination test, even as it is, is surely much better than selection by the personal influence and wire-pulling which has too often constituted the only avenue in the old days. A more perfect test still would be one based not only on answers to questions put by examiners who had had no opportunity of watching the candidate in his career at school or college and so getting the measure of his personality. Selection based on full record would be more reliable. Such a test we are in course of slowly substituting in schools and universities as that of real education. By degrees I think we shall come to it, as Lord Cromer sought to do in the case of the Egyptian Civil Service, in our home Service also. But until such a system has been evolved we are at least much better off with the external examination than we used to be under the unreformed system.

In the recommendations which were made in 1914, in the Report of the Royal Commission on the Civil Service, much stress was laid on the improvement of our general educational system as being of high importance if the quality of the Civil Service was itself to be improved. All the evidence points to the truth of this principle. The Service ought to be a highly educated one, and this can only be so if those who come into it are sufficiently educated. The width of mind and the larger outlook which real education brings are wanted in few domains more than here. But there are those who, while possessing great natural aptitude, have unfortunately been unable to obtain such an education. They come into the Service in the lower ranks, and yet by study and the self-development of their individualities they may become very fit to occupy higher posts. For this sort of case provision will have to be made in the future. Such exceptional minds ought to have chances of being put to full use by the State. Otherwise not only will much valuable service be lost to it, but there will be a sense of injustice at a barrier created by what is, after all, due to the accidents of birth and circumstance. With a more fully developed educational system throughout the country this problem ought to shrink in its dimensions.

I cannot express too strongly my sense of the importance of high forms of education throughout the Service. That importance is already recognized in the existence of the First Division, with the standards of knowledge which it requires. I have myself often observed the advantage which the years spent at the university give. Not in all cases, for the best student there may possess little aptitude for business and practical affairs. But in the majority of cases there is a great difference between highly educated men and women and those who are not so educated. The outlook, power, and quickness in comprehension, the gift of dealing with people, the readiness to take the initiative and to assume responsibility, are all, in the main, more highly developed when the business to be transacted is seen by the Civil servant against a background of other knowledge, of the type through which the mind has become enlarged. It is only the exceptionally gifted who possess a substitute for this background. Care should be taken that those who are individuals exceptionally qualified have a full chance of making their way to the highest positions; but the avenue must be carefully guarded. There is no right, arising out of mere seniority, to travel upwards by this exceptional path. The pilgrim to the celestial city ought to possess the quality required for entry through the wicket-gate. If he joins the path later it may be all right, but unless close scrutiny is made it is likely that things may not go well. In the higher positions in the Civil Service a largeness of outlook is required which is rare apart from a comprehensive mental training, and by no means certainly present even after that training. I am no believer in the certainty of the result of education. What I hold to is that by far the best chance is given when there has been education of a high type as a preliminary.

It is only by having his definite duty within a whole, the structure of which is not less well defined, that the Civil servant can live his life with satisfaction to himself and to the State. Much depends on really intelligent supervision and appreciation by the Permanent Heads, and not less on co-operation with them in the execution of a common purpose on the part of the whole staff. That is one reason why the organization, and its provisions for pay and promotion, must be such as to admit of general contentment right through the Service. For the reason I have indicated, the great saving which is always effected when there is a sufficiently good organization to exclude useless branches and members, I do not think that this is an ideal of extravagance. Well carried out, it ought to result not only in a more efficient, but in a more economical Service.

The spirit, then, is everything, for it will in the end carry with it science of this kind in organization. And the spirit can only be at once real and reliable if it is based on adequate knowledge. I do not think that either the members of the public or of Parliament realize how difficult and delicate a problem organization is, and how much thought and knowledge it requires. Of course, an organization may only gradually develop itself, and may grow into a very efficient form. When this is so it is always because of unceasing stimulus from some strong motive which is always operative. That is the advantage which private enterprise has over State enterprise, and it is a very real one.

SUGGESTIONS FOR IMPROVEMENT.

Every encouragement is given by the Commissioner to officers to bring forward suggestions likely to improve the efficiency or organization of the Public Service, and in cases where the suggestion possesses any intrinsic merit it is the practice to make a small monetary reward.

Of the suggestions brought forward during last year, in only one case was a monetary consideration granted—namely, P. P. Morgan, Department of Agriculture, for a suggestion in regard to a method of securing increased circulation of the *Journal of Agriculture*.

RETIREMENT OF OFFICERS.

The policy of retiring officers on reaching the age of sixty-five years is still being continued, except in a few cases where the special knowledge of the particular officer fully justifies an exception being made.

For some time past the rule followed in respect of retirements is that an officer with forty years' service shall on reaching sixty years of age be retired, and this practice is being continued, except where there are special reasons why the services of an officer should be retained.

PUBLIC SERVICE BOARD OF APPEAL.

In December, 1926, Colonel J. J. Esson, C.M.G., was appointed Chairman of the Board of Appeal in place of Mr. Peter Barr, who was absent from the Dominion on an extended tour. In October, 1927, Mr. Allison, Commissioner, Government Life Insurance Department, was appointed to act as a member of the Board during the absence of Mr. Jerram abroad on departmental duties. Colonel Esson and Mr. Jerram were reappointed to the Board—Colonel Esson as Chairman, under the provisions of the Public Service Amendment Act, 1927—the appointments taking effect as from the 1st December, 1927.

In accordance with the provisions of the Public Service Act an election by ballot for two representatives of the Public Service to act on the Public Service Board of Appeal was held in May, 1928. Four names were received, the result being that Messrs. G. N. Morris and A. S. Houston were elected to the Board. The sitting members, Messrs. C. de R. Andrews and H. C. Hulme, who submitted themselves for re-election were defeated. Mr. Andrews had been a member continuously since May, 1919, and Mr. Hulme from May, 1922.

There were three sittings of the Board of Appeal for the year ended 31st March, 1928. Seventy-seven appeals were dealt with. The result of the appeals were as follows: Allowed, 2; disallowed, 55; withdrawn, 4; did not lie, 16.

The Public Service Association has from time to time recommended that the Chairman of the Public Service Board of Appeal should be a Magistrate.

The present constitution of the Board of Appeal is as follows: (a) Two persons, of whom at least one should be an officer of the Public Service, to be appointed by the Governor-General, one of whom shall be Chairman of the Board; and (b) Two persons, being officers of the Public Service employed in different Departments, to be elected by officers of the Public Service; and while only one of the elected members actually sits on the Board at the hearing of an appeal, the other elected member

invariably remains in the room while the appeal is being heard and is present when a decision is being arrived at, and indirectly, if not directly, the decision may be affected by the presence of the representative who did not sit on the appeal.

I am of opinion that the constitution of the Board should be amended by providing for one elected Service member only. I am also of opinion that it is better that the Chairman should be an entirely independent man—preferably a man with good business experience.

PERIOD OF PROBATION.

Reference has been made in previous reports to the important provision that all new appointments to the Public Service, shall, in the first instance, be on probation. The Act provides that the period of probation shall be not less than six months. This period was found to be too short, and since 1921 the period has been extended to two years.

Provision was made in the amending Act of last year that the services of an officer on probation might be dispensed with at any time during the period of his probation, and, further, that the period might be extended from time to time should such a course be deemed necessary. This probation is not lightly regarded, and should an officer while on probation be found unsatisfactory in any respect the practice is either to dismiss him or to extend the probationary period until his efficiency is assured.

The system of open, competitive examination, which is in operation in regard to the appointment of junior officers, has proved to be a satisfactory system of recruitment; but it is necessary, in addition, to have a probation period in order that those who have merely an examination sense but who have no practical aptitude for the work on which they are engaged are eliminated by practical test as soon as deficiencies are discovered.

To ensure that the progress of the appointee is carefully reviewed, progress probation reports are furnished by local controlling officers at the expiration of the first month of employment and thereafter at three-monthly intervals until the period of probation has expired or until the appointment has been confirmed.

During the year the services of thirty-eight persons serving on probation were dispensed with for various reasons.

ANNUAL REPORTS ON STAFF.

The Public Service Acts provide that where several officers are being considered for promotion the appointment should be given to the one who is most efficient and suitable for appointment to the position vacant. The method of ascertaining, as far as practicable, the degrees of efficiency and suitability of the officers in the Service is mainly by the following methods:—

- (1) By inspection by departmental Inspectors;
- (2) By inspection and personal interview by the Public Service Commissioner or a Public Service Inspector; and
- (3) By the furnishing of an annual efficiency report in respect of each officer.

By the judicious combination of these three means it is possible to obtain a reasonably accurate pen picture of an officer.

The development of an accurate method of rating officers is very important, and in framing an annual report form an endeavour is made to adopt a systematic rating plan which will enable all the important personal qualities of an officer to be considered. Briefly, it may be said that the main uses for which a systematic periodical report is required are the following:—

- (1) To ascertain if the officer's value to the Service is increasing or decreasing;
- (2) To provide a uniform basis for salary increases or decreases;
- (3) To be used in making selection for promotion;
- (4) To help controlling officers in pointing out and correcting employees' weak points; and
- (5) To be used as a means of checking the effect of the entrance and promotion methods in vogue.

The use of reports of this nature has been very considerably developed, and an endeavour has been made to follow the best practices in other countries. The annual reports, while forming a basis of selection for promotion, are not relied upon entirely, and it is the practice to give consideration also to the reports of inspecting officers and the recommendations of superior officers.

It is the practice in the Service that any adverse report on an officer is communicated to him in order that he may have the fullest opportunity of rebutting criticisms which have been made against him, and the annual-report form is, after completion, returned to the officer in order that he may be aware of the nature of the report upon him, and he is given the opportunity of making comments in regard thereto should he so desire.

INCREMENTS OF SALARY.

Recognition of an officer's increase in value arising from his experience is provided through a system of annual increments in accordance with the salary scales provided. The granting of such increments within a class is practically automatic, subject only to the condition that the officer's work and conduct are satisfactory, and provision is contained in the Public Service Act that the Head of a Department may withhold the increment of an officer where he considers such a course warranted.

I am of opinion, however, particularly in regard to junior officers, that the automatic provision should be discontinued, and instead that an increment should not be granted unless a special report has been furnished on the officer by his local controlling officer or the head of the Department that the granting of an increment is fully justified by the regularity of his attendance, and the careful, diligent, and efficient manner in which he is performing his duties.

An officer who is of outstanding merit and ability and of good and diligent conduct, and who meritoriously performs duties of a character not usually performed by an officer of his status, may be granted an increment in excess of that to which he would be entitled under the scale. This provision is fully availed of. Special increments are granted only after full investigation, and not until the Commissioner is satisfied that the additional increments are fully justified.

AMENDMENTS TO GENERAL REGULATIONS.

There were no amendments to the General Regulations during the year.

LEAVE OF ABSENCE FOR EDUCATIONAL AND TRAINING PURPOSES.

During the year the following officers were granted special leave of absence, in some cases to permit them to proceed abroad for the purpose of extending their knowledge and experience, and in others to enable them to pursue their studies:—

- Hunter, Dr. J. D., Assistant Medical Officer, Mental Hospitals Department, Porirua: To proceed to Scotland for post-graduate work and to sit for his Diploma of Psychological Medicine.
- Hay, Dr. R. T., Assistant Medical Officer, Mental Hospitals Department, Christchurch: To obtain experience in mental hospitals of the United Kingdom.
- Cottier, W., Assistant Entomologist, Agriculture Department, Wellington: To prepare thesis for honours degree in Science.
- Cunningham, I. J., Cadet, Agriculture Department, Wellington: To prepare thesis for honours degree in Science.
- Pownall, Miss M. M. S., Matron, Otaki Hospital, Health Department: To visit England and the Continent to further her knowledge of the treatment of tuberculosis.
- Lea, Miss L. M., Nurse Inspector, Health Department, Wellington: To take post-graduate course in nursing.
- Wise, Miss W. D. E., Ante-natal Nurse, Health Department, Auckland: To take post-graduate course in nursing.
- North, Miss A. J., District Health Nurse, Health Department, Whakatane: To take post-graduate course in nursing.
- Bramwell, Miss L. M., Nurse, Mental Hospitals Department, Porirua: To take post-graduate course in nursing.

- Cooke, Miss R. M. C., School Nurse, Health Department, Nelson: To take the nurses' midwifery training course.
- Mangakahia, Miss M., Assistant District Health Nurse, Health Department, Rawene: To take the nurses' midwifery training course.
- Wereta, Miss R., District Health Nurse, Health Department, Otaki: To undergo Karitane training.
- Hoffmann, Miss H. R., Nurse, Mental Hospitals Department, Hokitika: To study general nursing.

DEPARTMENTAL OFFICERS ON DUTY ABROAD.

During the year the following officers proceeded abroad for the purposes stated:—

- Reakes, Dr. C. J., Director-General, Agriculture Department: To visit the United Kingdom, Europe, and South Africa for investigation of various matters affecting the activities of his Department.
- Marsden, Dr. E., Secretary, Scientific and Industrial Research Department: To visit Canada and the United States for investigation of various matters affecting the activities of his Department.
- Hughes, Dr. T. J. F., Medical Officer of Health, Health Department, Auckland: To participate in the League of Nations interchange of medical officers held in India.
- Fraser, M., Government Statistician, Internal Affairs Department, Wellington: To represent New Zealand at the Conference of Statisticians held at Hobart, Tasmania.
- Hopkirk, C. S. M., Officer in Charge of Veterinary Laboratory, Agriculture Department, Wallaceville: To represent New Zealand at the Australasian Veterinary Association Conference.
- Goodwin, W. T., Assistant Director, Horticulture Division, Agriculture Department, Wellington: To investigate on behalf of the Fruit Control Board the disposal of New Zealand fruit on the South American market.
- Wright, N. L., Chemist, Scientific and Industrial Research Department, Wellington: To visit the United States on general departmental matters and then to proceed to London as Liaison Officer.
- Messenger, A. H., Publicity Officer, Internal Affairs Department, Wellington: To arrange more intensive publicity in Australia.
- Good, E. D., Advisory and Investigating Officer, Customs Department, Wellington: To make inquiries in Australia concerning certain articles exported to New Zealand.
- Petrie, W., Chief Hemp-grader, Agriculture Department, Wellington: To visit Australia and report on new process for treating hemp, and to inspect rope-works.

OFFENCES COMMITTED BY OFFICERS.

The method of dealing with offences is prescribed by sections 12 and 13 of the Public Service Amendment Act, 1927.

In cases of minor offences the matter may be dealt with by the Permanent Head, but such action shall be reported to and the penalty confirmed by the Public Service Commissioner. All the more serious cases are referred to the Commissioner, who may conduct an inquiry himself, or delegate his powers and functions to any fit person or persons.

During the year all cases of offences committed by officers have been fully investigated, and inquiries have been held by the Commissioner where necessary.

The principal classes of cases dealt with, and the decisions arrived at, are as follow:—

- (a) Misappropriation (6): Forfeited office (4); required to resign (2).
- (b) Neglect of duty (4): Dismissed (2); censured (2).
- (c) Unsatisfactory conduct (21): Forfeited office (1); dismissed (6); transferred and reduced (2); resigned (1); reprimanded (9); fined (1); transferred (1).

GENERAL REGRADING.

The Public Service Act, 1912, provides that officers of the Public Service shall be regraded at intervals of not more than five years. This is one of the most important principles of the Act, and it is interesting to note that recently the principle, which is already in operation in the Post and Telegraph Department, has been extended to the Railways Department. The next general regrading is due on the 1st April, 1929.

CONCLUSION.

I desire to again place on record my appreciation of the generous measure of support accorded me by Permanent Heads and others during the past year, and to express my thanks to the members of my own staff for their loyal and devoted assistance.

All of which is submitted for your Excellency's gracious consideration.

P. Verschaffelt

Commissioner.

Office of Public Service Commissioner,
29th September, 1928.

TABLES.

TABLE I.—PUBLIC SERVICE LIST, 31/3/28.—GENERAL SUMMARY OF CLASSIFICATION BY DEPARTMENTS
(EXCLUDING OFFICERS IN ADMINISTRATIVE DIVISION).

Department.	Number of Officers.	Salary, Year ending 31/3/28.	Salary, Year ending 31/3/29.	Scale Increase.
		£	£	£
Agriculture	521	175,916	179,196	3,280
(Appointed 1/4/28)	3	..	865	..
(On loan)	5	..	..	..
(On leave)	1	..	..	..
Audit	145	44,000	45,680	1,680
Crown Law	6	3,778	3,813	35
Customs	299	92,750	95,155	2,405
(Resigned 31/3/28)	1	95	..	..
(On loan)	3	..	..	..
Defence	48	12,095	12,275	180
Education	276	97,086	98,741	1,655
(Resigned 31/3/28)	2	320	..	..
(On leave)	2	..	..	..
External Affairs	5	1,580	1,600	20
Government Insurance	113	32,100	33,570	1,470
Health	406	106,403	108,223	1,820
(Resigned 31/3/28)	1	260	..	..
(On loan)	3	..	..	..
(On leave)	6	..	..	..
Immigration	12	3,495	3,570	75
(On loan)	1	..	..	..
Industries and Commerce	12	4,465	4,505	40
Internal Affairs	393	100,858	103,226	2,368
(On loan)	4	..	..	..
Justice	262	70,105	72,975	2,870
(Resigned 31/3/28)	1	80	..	..
Labour	102	30,455	31,170	715
Land and Deeds	136	37,020	38,655	1,635
Land and Income Tax	153	36,455	38,575	2,120
(Resigned 31/3/28)	1	335	..	..
(On loan)	1	..	..	..
Land and Survey	634	176,935	183,555	6,620
(Resigned 31/3/28)	1	95	..	..
(Appointed 1/4/28)	1	..	295	..
Marine	190	62,820	63,855	1,035
Mental Hospitals	857	192,535	194,530	1,995
(Resigned 31/3/28)	5	827	..	..
Mines	53	16,825	17,190	365
National Provident and Friendly Societies	35	8,870	9,265	395
Native	64	18,705	19,145	440
Native Trust	25	7,640	7,840	200
Pensions	112	25,045	26,565	1,520
Police	6	1,860	1,920	60
Prime Minister's	1	750	750	..
Printing and Stationery	328	90,420	91,126	705
Prisons	222	60,635	61,380	745
(Resigned 31/3/28)	1	395	..	..
(Appointed 1/4/28)	1	..	225	..
(On loan)	1	..	..	..
Public Service Commissioner's	10	4,075	4,120	45
Public Service Superannuation	9	2,640	2,725	85
Public Trust	555	162,710	168,385	5,675
(Resigned 31/3/28)	1	250	..	..
(On loan)	1	..	..	..
Public Works	688	216,287	220,472	4,184
(Appointed 1/4/28)	1	..	280	..
(On loan)	2	..	..	..
(On leave)	2	..	..	..
Scientific and Industrial Research	44	16,985	17,325	340
Stamp Duties	77	19,995	20,905	910
(Resigned 31/3/28)	1	210	..	..
State Advances	83	20,595	21,720	1,125
State Fire Insurance	145	35,460	37,305	1,845
(Resigned 31/3/28)	1	175	..	..
State Forest Service	108	34,305	35,130	825
(Appointed 1/4/28)	1	..	80	..
Tourist	105	25,754	26,394	640
Treasury	88	23,090	24,270	1,180
Valuation	83	29,230	29,735	505
Totals	7,411	2,102,730	2,156,538	53,808
Resigned 31/3/28	16	3,047	..	..
Appointed 1/4/28	7	..	1,745	..
On loan	21	..	..	..
On leave without pay	11	..	..	..
Totals, 31/3/28*	7,427	2,105,777	..	..
Totals, 1/4/28*	7,418	..	2,158,283	..
Native-school teachers	289	..	59,620	..
Vacant, 1/4/28	13	..	..	..

* Excluding 21 officers on loan and 11 officers on leave.

NOTE.—Fractions of £1 are not taken into consideration in totals.

TABLE II.—PUBLIC SERVICE LIST, 31/3/28.—GENERAL SUMMARY OF CLASSIFICATION BY CLASSES
(EXCLUDING OFFICERS IN ADMINISTRATIVE DIVISION).

Class (excluding Administrative).	Number of Officers.	Total Salary, 31/3/28.	Classification Salary, 31/3/29.	Scale Increase.
Professional—		£	£	£
Over scale	80	67,444	67,644	200
Over scale (on loan)	1	..	..	..
A	100	65,835	66,135	300
B	113	62,145	62,520	375
C	117	55,025	55,630	605
C (on leave)	1	..	..	..
D	131	51,250	52,095	845
D (on loan)	1	..	..	..
E	44	13,200	13,490	290
E (appointed 1/4/28)	2	..	615	..
F	39	6,055	6,880	825
F (on leave)	1	..	..	..
Clerical—				
Special	66	46,755	46,830	75
I	70	41,050	41,150	100
II	80	40,740	40,950	210
II (on loan)	2	..	..	..
III	96	44,535	44,775	240
III (on loan)	1	..	..	..
IV	239	100,220	100,810	590
IV (on loan)	1	..	..	..
V	258	96,875	97,585	710
VI	461	152,680	153,820	1,140
VI (resigned 31/3/28)	1	335	..	..
VII (£275-£295)	619	172,965	179,275	6,310
VII (appointed 1/4/28)	1	..	295	..
VII (on loan)	5	..	..	..
VII (£210-£250)	389	82,645	90,260	7,615
VII (resigned 31/3/28)	2	460	..	..
VII (on loan)	1	..	..	..
VII (£80-£190)	1,174	139,545	164,960	25,415
VII (resigned 31/3/28)	4	405	..	..
VII (appointed 1/4/28)	1	..	80	..
General—				
I (£320 and over)	720	275,001	277,196	2,195
I (resigned 31/3/28)	1	395	..	..
I (on loan)	5	..	..	..
II (£191-£319)	1,928	483,105	487,198	4,093
II (resigned 31/3/28)	3	722	..	..
II appointed 1/4/28)	3	..	755	..
II (on loan)	4	..	..	..
II (on leave)	1	..	..	..
III (£190 and under)	644	92,883	94,418	1,535
III (resigned 31/3/28)	5	730	..	..
III (on leave)	6	..	..	..
Educational—				
I (£320 and over)	20	7,325	7,335	10
II (£191-£319)	23	5,450	5,580	130
II (on leave)	2	..	..	..
Totals	7,411	2,102,730	2,156,538	53,808
Resigned 31/3/28	16	3,047	..	..
Appointed 1/4/28	7	..	1,745	..
On loan	21	..	..	..
On leave	11	..	..	..
Totals, 31/3/28*	7,427	2,105,777	..	..
Totals, 1/4/28*	7,418	..	2,158,283	..
Native-school teachers	289	..	59,620	..
Vacant, 1/4/28	13	..	..	..

* Excluding 21 officers on loan and 11 officers on leave.
NOTE.—Fractions of £1 are not taken into consideration in totals.

TABLE III—SHOWING ALTERATIONS IN STAFFS AND SALARIES OF DEPARTMENTS BETWEEN CLASSIFIED LIST FOR 1927-28 AND 31ST MARCH, 1928.

Classified List, 1927-28.		Increase.														Decrease.														Net Increase or Decrease.		At 31st March, 1928.		Departments																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																				
Departments	Number of Officers.	Total Classified Salaries.	Additions to Salary on Promotion, &c. (within Department).		By Transfer from other Departments or from Unclassified Positions.		By New Entrants.				Total Increase.		By Reduction in Salary.		By Transfer to other Departments or to Unclassified Positions.		By Death.		By Retirement on Superannuation or Pension.		By Resignation.		By Dismissal (including Cases where Services dispensed with).		Total Decrease.																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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TABLE IV.—TEMPORARY EMPLOYEES OTHER THAN WORKMEN, ETC., AS AT 1ST APRIL, 1928.

Department.	Male Clerks.	Female Clerks.	Shorthand-typists, Typists and Machinists.	Draughtsmen and Computers.	Draughtswomen.	Tracers.	Engineers.	Engineers' Assistants.	Inspectors.	Instructors.	Office Assistants.	Milk-testers.	Overseers.	Medical Officers.	Sorters.	Field Inspectors.	Miscellaneous.
Agriculture	2	..	11	..	..	..	..	..	16	24	3	20	..	..	..	..	19
Audit	..	5	1	..	..	..	..	..	..	..	1	..	..	..	..	..	..
Crown Law	..	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Customs	1	..	7	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Defence	6	..	4	..	..	..	..	..	..	..	5	..	..	..	1	..	..
External Affairs	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..	1
Education	5	9	15	..	..	..	..	..	..	..	7	..	..	..	2	..	24
Government Life Insurance	..	..	7	..	..	..	..	..	..	..	12	..	..	..	..	..	..
Health	14	1	12	..	..	..	2	1	6	4	..	..	..	10	1	..	50
Immigration	1	..	2	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Industries and Commerce	2	..	2	..	..	..	..	..	2	..	..	..	..	..	..	..	..
Internal Affairs	5	..	88	..	..	..	..	..	2	..	6	..	..	..	1	..	14
Justice	2	1	10	..	..	..	..	..	..	..	1	..	..	..	..	..	2
Labour	2	..	13	..	..	..	..	..	2	..	2	..	..	..	..	..	2
Land and Deeds	13	..	25	..	11	..	..	..	..	..	2	..	..	..	..	..	..
Land and Income Tax	1	..	4	..	..	..	..	..	..	..	11	..	..	..	1	..	..
Lands and Survey	2	..	46	8	1	..	..	..	..	..	..	..	..	..	2	4	12
Marine	5	..	8	..	..	..	1	..	1	..	..	..	..	..	1	..	2
Mental Hospitals	..	..	7	..	..	..	1	..	..	..	3	..	..	7	..	..	7
Mines	2	2	2	..	..	..	..	..	..	..	..	..	..	..	..	..	2
National Provident and Friendly Societies	..	7	3	..	..	..	..	..	..	..	9	..	..	..	..	..	..
Native	3	1	10	..	..	..	..	..	..	..	1	..	..	..	..	..	2
Native Trust	..	..	3	..	..	..	..	..	..	..	1	..	..	..	..	..	..
Pensions	20	..	15	..	..	..	..	..	..	..	19	..	..	..	..	..	1
Printing and Stationery	1	..	..	1	..	..	..	..	..	..	..	..	..	..	..	..	..
Prisons	5	..	5	..	..	..	..	..	..	2	..	..	..	..	..	..	6
Public Trust	21	..	96	..	..	..	..	..	..	..	..	..	..	..	2	..	4
Public Works	39	1	60	51	..	..	4	40	1	..	2	..	53	..	1	..	45
Scientific and Industrial Research	..	..	3	..	..	..	..	..	..	..	..	..	..	..	..	..	5
Stamp Duties	..	..	10	..	..	..	..	..	..	..	1	..	..	..	..	..	..
State Advances	10	..	15	..	..	..	..	..	..	..	6	..	..	..	12	..	..
State Fire Insurance	3	..	22	..	..	..	..	..	..	..	13	..	..	..	..	..	..
State Forest Service	3	..	10	5	..	..	..	1	..	..	2	..	..	..	..	..	5
Tourist	2	1	7	..	..	..	1	..	..	..	3	..	..	..	..	..	6
Treasury	1	..	5	..	..	..	..	..	..	..	8	..	..	..	..	..	..
Valuation	5	1	21	..	..	2	..	..	..	..	4	..	..	..	1	..	3
Totals	176	29	552	65	12	2	9	42	30	30	122	20	53	17	25	4	212

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1. RESEARCH - RESEARCHERS OTHER THAN WORKMEN, ETC., AS AT 1ST APRIL, 1938.

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